

STATE OF ILLINOIS



Department of Insurance

IN THE MATTER OF
THE EXAMINATION OF:

SAFEGWAY INSURANCE COMPANY
790 PASQUINELLI DRIVE
WESTMONT, ILLINOIS 60059

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 5/131.21, 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425) do hereby appoint Roger Henschen, Examiner-In-Charge, Larry Nelson and associates as the proper persons to examine the insurance business and affairs of Safeway Insurance Company of Westmont, Illinois, and to make a full and true report to me of the examination made by them of Safeway Insurance Company with a full statement of the condition and operation of the business and affairs of Safeway Insurance Company with any other information as shall in my opinion be necessary to examine the condition and operation of its business and affairs and the manner in which it conducts its business.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Safeway Insurance Company.

IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed the Seal of my office.

Done at the City of Springfield, this 15th day of March, 2011



Michael T. McRaith
Michael T. McRaith

Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with Arlene Jenkins AVP, at the hour of 1:10 PM
on July 14, A.D., 2011.

ROGER O. HENSCHEN

Examiner

Roger O. Hensch

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403, and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Louis Butler
Staff Attorney

Safeway Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION:	June 27, 2011 through October 7, 2011
EXAMINATION OF:	Safeway Insurance Company, Domestic Stock
LOCATION OF EXAMINATION:	790 Pasquinelli Drive Westmont, Illinois 60559
PERIOD COVERED BY EXAMINATION:	April 1, 2010 through March 31, 2011
EXAMINERS:	Larry J. Nelson Roger O. Henschen Examiner-in-Charge

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I. SUMMARY

1. The Company was criticized under 215 ILCS 5/143.15 for failing to provide a specific explanation of the reason or reasons for cancellation and/or failing to provide at least 30 days notice.

A Class Criticism was issued in the Private Passenger Auto Cancellation Survey.

2. The Company was criticized under 215 ILCS 5/143.19 for canceling auto policies for reasons other than permitted when the policy had been in effect for more than 60 days.

A General Trend Criticism was issued in the Private Passenger Auto Cancellation Survey.

3. The Company was criticized under 215 ILCS 5/143.17(a) for failing to provide the insured a notice of nonrenewal when failing to renew the policy.

A Class Criticism was issued in the Private Passenger Auto Nonrenewal Survey.

4. The Company was criticized under 215 ILCS 5/143.17(e) for failing to provide a specific explanation of the reasons for nonrenewal.

A Class Criticism was issued in the Private Passenger Auto Nonrenewal Survey.

5. The Company was criticized under 215 ILCS 5/143.16 for failing to provide at least 60 days notice of cancellation when the policy had been effective for 61 days or more and failing to provide a specific explanation of the reason or reasons for cancellation.

A Class Criticism was issued in the Commercial Auto Cancellation Survey.

6. The Company was criticized under 215 ILCS 5/143.16a for canceling policies for reasons other than permitted when the policy had been in effect for more than 60 days.

A Class Criticism was issued in the Commercial Auto Cancellation Survey.

7. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(2) for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved for more than 40 calendar days and/or failing to accompany the written explanation with Notice of Availability of the Department of Insurance.

A General Trend Criticism was issued in the Private Passenger Auto First Party Median and Paid Survey.

8. The Company was criticized in the Auto First Party Median and Paid Survey under 50 Ill. Adm. Code 919.50(a) and in 215 ILCS 5/154.6(d) when payment to the insured was unnecessarily delayed when the amount of the claim was determined and not in dispute. The Company was also criticized for failing to provide a prompt and fair settlement. In two (2) files there was no lien holder and the two (2) party check that was never cashed. The Company reissued the checks totaling \$649.00.
9. The Company was criticized in the Auto First Party Median and Paid Survey for violating the policy contract when making a claims overpayment of \$491.25 and a claims underpayment of \$267.70. The Company has made payment to the insured.
10. In the Auto First Party Median and Paid Survey two (2) checks totaling \$749.48 were re-issued to and mailed to two (2) insureds. The first checks were two (2) party checks with no documentation of a lien holder or that the insureds requested two (2) party checks and those checks had never been cashed.
11. In the Auto First Party Closed Without Payment Survey the Company was cited for failing to offer payment within 30 days of affirmation of liability and criticized under 50 Ill. Adm. Code 919.50(a) and further criticized under 215 ILCS 5/154.6(d) for failing to effectuate a prompt, fair and equitable settlement. The Company reopened five (5) files and made payments totaling \$3,915.93.
12. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(3) for failing to provide the third party with a reasonable written explanation for the delay when the claim remained unresolved for more than 60 days.

A General Trend Criticism was issued in the Private Passenger Auto Third Party Median & Paid Survey.

13. The Company was criticized in the Auto Third Party Median and Paid Survey for creating claims underpayments totaling \$788.97. The Company made the payments.
14. The Company was criticized under 215 ILCS 5/154.6(c) for failing to effectuate prompt, fair and equitable settlement of claims and, therefore, has failed to adopt reasonable standards to promptly investigate and resolve their claims which is in violation of 215 ILCS 5/154.6(c).

A General Trend Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

15. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(3) for failing to provide the third party with a reasonable written explanation for the delay when the claim remained unresolved for more than 60 days.

A General Trend Criticism was issued in the Private Passenger Auto Third Party Closed Without Payment Survey.

16. The Company was criticized under 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to reimburse the insured the correct amount of taxes and/or fees when the insured replaced the total loss vehicle creating two (2) underpayments totaling \$156.20 and nine (9) overpayments totaling \$712.72. Reimbursements have been made.

A Class Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

17. The Company was criticized under 50 Ill. Adm. Code 919.80(b)(2) for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved for more than 40 calendar days.

A General Trend Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

18. The Company was criticized under 50 Ill. Adm. Code 919.80(c)(2) for failing to use and follow the definitions/methodologies of the source used to determine the market value of the insured total loss vehicle creating underpayments totaling \$8,129.00. The Company has made reimbursement to these insureds.

A General Trend Criticism was issued in the Private Passenger Auto First Party Total Loss Survey.

19. The Company was criticized under 50 Ill. Adm. Code 919.80(d)(3) for taking advance charge deductions from the total loss settlement when there was no evidence the insured caused any excessive charges creating underpayments totaling \$265.00. The Company made reimbursements.

20. The Company was criticized under 215 ILCS 5/143b for failing to return the *pro-rata* share of the deductible to their insureds creating underpayments totaling \$3,133.97. Payments have been made.

A General Trend Criticism was issued in the Private Passenger Auto Subrogation Survey.

21. The Company was criticized under 215 ILCS 5/423(1) and/or 5/424(4) and/or 5/429(1) for requiring the name of a body shop prior to making payment for the insured vehicle when there was no lien holder. In failing to effectuate prompt

payments and failing to adopt reasonable standards for the settlement of claims the Company is also in violation of 215 ILCS 5/154.6(c) and 5/154.6(d).

A Class Criticism applies in the Commercial Auto First Party Paid Survey.

22. The Company was criticized under 50 Ill. Adm. Code 919.50(a)(1) for failing to provide an explanation that was *reasonable and true* when sending a denial letter to the insured. The Company reopened the file and paid the insured \$3,600.00.

A Class Criticism was issued in the Commercial Auto First Party Closed Without Payment Survey.

23. The Company was criticized under 215 ILCS 5/154.6(c) and 5/154.6(d) for sending letters to first and third party claimants that have incurred injuries instructing them to send in medical bills *after* they have completed treatments. These instructions delay reimbursements to these claimants. The Company is also criticized under 215 ILCS 5/154.6(a) for misrepresenting relevant facts regarding the statute of limitations.

A Class Criticism was issued in the Commercial Auto Third Party Paid Survey but applies to all surveys.

24. The Company was criticized under 215 ILCS 5/154.6(g) for engaging in activity which results in a disproportionate number of lawsuits.

A Class Criticism was issued in the Commercial Auto Third Party Paid Survey.

25. The Company was criticized under 215 ILCS 423(1) and/or 5/424(4) and/or 5/429(1) for engaging in activity that is unfair to claimants and/or claimant carriers. They have failed to effectuate prompt and fair settlements, a violation of 215 ILCS 5/154.6(d), and thereby, have failed to adopt reasonable standards to promptly investigate and settle their claims, a violation of 215 ILCS 5/154.6(c).

A General Trend Criticism was issued in the Commercial Auto Third Party.

26. The Company was criticized under 50 Ill. Adm. Code 926.50 for failing to maintain their complaint log as outlined in Exhibit A and as defined in Exhibit B.

A Class Criticism was issued in the Department Complaints Survey.

27. The Company was criticized under 215 ILCS 5/154.6(c) for failing to effectuate prompt, fair and equitable settlements resulting in underpayments totaling \$4,788.05. The Company made the payments.

A General Trend Criticism was issued in the Department Complaints Survey.

28. The Company was criticized under 50 Ill. Adm. Code 926.50 and 215 ILCS 5/143d for failing to maintain a log of Consumer Complaints as required.

A Class Criticism was issued in the Consumer Complaints Survey.

In addition to the findings above the examiner provides these Interrelated Findings.

29. In viewing the separate surveys the Company is criticized under 215 ILCS 5/154.6(d) for failing to adopt and implement reasonable standards to promptly investigate and settle their claims. They are criticized under 215 ILCS 5/154.6(c) for failing to effectuate prompt settlements, fair settlements and equitable settlements. Their actions and inactions are unfair and/or deceptive and a violation of 215 ILCS 5/423(1) and/or 5/424(4) and/or 5/429(1). When third party carriers are subrogating against this Company, they lowball offers based upon unwarranted comparative negligence and/or lower labor rates. When this Company fails to immediately accept liability and offer to make repairs to the third party, it is unfair then to lowball a third party carrier. That creates an adverse effect on all Illinois policyholders who are citizens and residents of this state. They must pay for these actions by increases in their premiums.
30. When viewing the claim files, storage letters sent to first party claimants were reviewed. An example of some of the verbiage is "Should your vehicle be incurring storage charges, you must take immediate action to move the vehicle to a storage free facility. Your delay may cause some or all storage charges to become your responsibility." When there is no liability decision to be made regarding a claim because it is the Company's insured, towing and storage for the insured is part of a physical damage claim. It is the responsibility of the Company to make arrangements for storage...or...tell the insured to release the vehicle and the Company will tow the insured vehicle to a storage free facility. If the insured refuses to release the vehicle to the Company then the Company has an issue regarding storage but there is no evidence that the Company has a practice of doing that. This letter and the Company's actions are unfair and in conflict with 215 ILCS 5/423(1) and/or 5/424(4) and/or 5/429(1).

II. BACKGROUND

Safeway Insurance Company (SIC) is one of five (5) pooled members of Safeway Insurance Group (SIG). SIG specializes in underwriting non-standard automobile coverages for insureds unable to obtain insurance through the standard market. The group has historically focused its marketing efforts in urban areas. In Illinois, business is primarily concentrated in the metropolitan area of Chicago.

SIC was incorporated August 28, 1962, under the laws of Illinois to become successor to the Safeway Mutual Insurance Company (organized 1959). It began business on December 28, 1962. The company took over all of the assets, assumed all of the liabilities and reinsured all existing policies in force of the Safeway Mutual Insurance Company, Chicago, Illinois, as of December 29, 1962.

III. METHODOLOGY

The Market Conduct examination places emphasis on evaluating an insurer's systems and procedures in dealing with insureds and claimants.

The following categories are the general areas examined:

1. Risk Selection
2. Underwriting
3. Claims
4. Complaints

The review of these categories is accomplished through examination of individual underwriting and claim files, written interrogatories, interviews with company personnel, analysis of policy forms and endorsements, and verification of computer rating accuracy. Each of these categories is examined for compliance with Division Rules and Regulations and applicable state law.

The report concerns itself with improper practices performed with such frequency to indicate general business practices. Individual files criticized are identified and communicated to the insurer but not cited in the report if not indicative of a general trend, except if there were underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys.

The following methods were used to obtain the required samples to assure methodical selection.

Risk Selection

Cancellations and nonrenewals were requested on the basis of the effective date of the transaction falling within the period under examination. They were reviewed for compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.

Underwriting

New files were selected based on the inception date falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, compliance with company underwriting guidelines and to insure that the protection provided was as requested.

Claims

Claims were requested based on the settlement occurring within the period under examination.

Complaints

Complaints were requested based on those received by the company during the period under examination.

Selection of Samples

		Total <u>Files</u>	# <u>Reviewed</u>	% <u>Reviewed</u>
A.	Risk Selection			
1.	Private Passenger Auto Cancellations	1953	110	5.63
2.	Private Passenger Auto Rescissions	649	30	4.62
3.	Private Passenger Auto Nonrenewals	123	85	69.11
4.	Commercial Auto Cancellations	4	4	100.00
5.	Commercial Auto Nonrenewals	0	0	N/A
6.	Producer Terminations	0	0	N/A
B.	Underwriting			
1.	Private Passenger Auto New Business	38,437	116	0.30
C.	Claims			
1.	Private Passenger Auto First Party Median & Paid	1008	120	11.90
2.	Private Passenger Auto First Party Closed Without Payment	721	101	14.01
3.	Private Passenger Auto Third Party Median & Paid	2529	111	4.39
4.	Private Passenger Auto Third Party Closed Without Payment	1473	81	5.50
5.	Private Passenger Auto Total Losses – First Party\	166	65	39.16
6.	Private Passenger Auto Subrogation	70	70	100.00
7.	Commercial Auto First Party Paid	9	9	100.00
8.	Commercial Auto First Party Closed Without Payment	20	20	100.00
9.	Commercial Auto Third Party Paid	76	76	100.00
10.	Commercial Auto Third Party Closed Without Payment	47	47	100.00
11.	Commercial Auto Total Losses	2	2	100.00
12.	Commercial Auto Subrogation	1	1	100.00
D.	Complaints			
1.	Department of Insurance Complaints	48	48	100.00
2.	Consumer Complaints	0	0	N/A

IV. FINDINGS

A. Risk Selection

1. Private Passenger Auto Cancellations

One hundred ten (110) policy cancellations were examined. In 53 of the cancellation notices mailed to the insured (48.18%), the reason provided failed to be a *specific* explanation of the reason or reasons for cancellation. Also in one (1) of those 53 files, the Company provided 29 days notice instead of at least 30 days notice. The effective date of cancellation on the notice was 32 calendar days from the mailing date but that date was a Monday and a holiday. According to Section 1.11 of the Illinois Revised Statutes, 1981, Chapter 1, para. 1012, the effective date of cancellation was on the previous Friday and that date was 29 days from the date of mailing. The Company was in violation of 215 ILCS 5/143.15 and a General Trend Criticism was issued.

In 50 cancellations the policy had been in effect more than 60 days when the notice of cancellation was mailed to the insured. When a policy has been in effect more than 60 days the company may only cancel for certain listed reasons. The reason(s) provided on 16 of those cancellations (32.00%) failed to be one of those listed and a violation of 215 ILCS 5/143.19. A General Trend Criticism was issued.

2. Private Passenger Auto Rescissions

There were no criticisms.

3. Private Passenger Auto Nonrenewals

The nonrenewal notice mailed to the insured reads “You are hereby notified that the above policy will not be renewed at its expiration because of the reason indicated below:”. None of the notices indicate what that expiration date is and/or the effective date of the nonrenewal. Only the “Original Policy Period” is shown. The notice is unfair and/or deceptive because there is nothing in that notice that indicates the actual termination date. This conflicts with 215 ILCS 5/423(1) and/or 215 ILCS 5/429(1). The Company is also in violation of 215 ILCS 5/143.17. They are failing to renew the policy but are not sending a proper nonrenewal notice. A Class Criticism applies.

Of the 85 nonrenewals reviewed, 85 (100.00%) were criticized because the reason shown on the notice of nonrenewal was not specific enough. More information was required. The Company was in violation of 215 ILCS 5/143.17. A Class Criticism was issued.

4. Commercial Auto Cancellations

Four (4) cancellations were reviewed and four (4) were in violation of 215 ILCS 5/143.16 (100.00%). All policies had been in effect for more than 60 days when the notice of cancellation was mailed. A 60 day notice was required but the Company gave 32 days notice. Also, the reason or reasons for the cancellation were not specific in the four (4). A Class Criticism was issued.

In the four (4) cancellations reviewed, the policy had been in effect for more than 60 days when the notice of cancellation was mailed and the Company may only cancel for certain reasons which are listed in 215 ILCS 5/143.16a. In three (3) of those four (4) cancellations (75.00%), the Company canceled for reasons other than listed and a Class Criticism was issued.

5. Commercial Auto Nonrenewals

The examiner requested a list of policies that were nonrenewed during the examination period. The Company informed the examiner that there were no commercial auto nonrenewals during the examination period. No nonrenewals were reviewed.

6. Producer Terminations

The examiner requested a list of producers that were terminated during the examination period. The Company informed the examiner that there were no terminations effective during the examination period. No producer terminations were reviewed.

B. Underwriting

1. Private Passenger Auto New Business

There were no criticisms.

C. Claims

1. Private Passenger Auto First Party Median & Paid

The median payment period was 17 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	74	72.55
31-60	20	19.61
61-90	03	02.94

91-180	03	02.94
181-365	00	00.00
<u>over 365</u>	<u>02</u>	<u>01.96</u>
Total	120	100.00

One hundred twenty files were examined. Thirty four (34) files remained unresolved for more than 40 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2)). The Company failed to do so in six (6) of those 34 files (17.65%). The Company failed to provide the insured the written explanation in four (4) files. In another file a timely delay letter was sent but the availability of the Department of Insurance was omitted. In that same file when the reason for delay mentioned in the delay letter was resolved, then another delay letter was due within the next 40 days if payment was not made or the vehicle not repaired. That delay letter was not sent. In another file the same situation arose. A delay letter was sent but the availability of the Department of Insurance was omitted. A General Trend Criticism was issued.

In seven (7) files (5.83% of the 120 reviewed) payment to the insured was unnecessarily delayed when the amount of the claim was determined and not in dispute. The Company was in violation of 50 Ill Adm. Code 919.50(a) and as a result in conflict with 215 ILCS 5/154.6(d) for failing to effectuate a prompt settlement but also for failing to provide a fair settlement. In two (2) of the files two (2) party checks payable to the insured and body shop were issued with no evidence of a lien holder or the insured requesting a two (2) party check be issued. Those checks were never cashed. The Company was instructed to issue payment payable to the insured and mailed to the insured. The Company issued two (2) payments totaling \$649.00.

In two (2) files (1.67% of the 120 reviewed) the Company violated the policy contract creating an underpayment of \$267.70 and an overpayment of \$491.25. The underpayment was caused by the Company failing to pay a supplement. The overpayment was caused by the Company incorrectly calculating supplements. The Company provided reimbursement to the insured for the underpayment.

When computing the median, the examiner discovered that checks were never cashed in two (2) files. The checks were made payable to the insured and body shop with no evidence of a lien holder and no evidence the insured requested a two (2) party check. The examiner instructed the Company to reissue the checks and make them payable to the insured only and mail to the insured. The Company issued the two (2) checks totaling \$749.48.

2. Private Passenger Auto First Party Closed Without Payment

In five (5) files (4.95% of 101 reviewed) the Company failed to offer payment within 30 days of affirmation of liability in violation of 50 Ill. Adm. Code 919.50(a) and failed to effectuate a prompt, fair and equitable settlement of the claim which is in conflict with 215 ILCS 5/154.6(d). The Company reopened the files and made five (5) payments totaling \$3,915.93.

One hundred one(101) files were examined. Ninety eight files remained unresolved for more than 40 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2)). In three (3) of those 98 files (3.06%) a delay letter was sent but failed to include the availability of the Department of Insurance.

3. Private Passenger Auto Third Party Median & Paid

One hundred nineteen (119) total files were used to compute the median. The median payment period was 43 days with arbitration, subrogation and litigation files included and 33 days when excluded and distributed as follows:

With arbitration, subrogation and litigation

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	42	35.29
31-60	27	22.69
61-90	07	05.88
91-180	14	11.76
181-365	03	02.52
<u>over 365</u>	<u>26</u>	<u>21.85</u>
Total	119	100.00

Without arbitration, subrogation and litigation

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	40	48.19
31-60	24	28.92
61-90	06	07.23
91-180	09	10.84
181-365	00	00.00
<u>over 365</u>	<u>04</u>	<u>04.82</u>
Total	83	100.00

Thirty six (36) claims (30.25% of 119) went into arbitration, subrogation or litigation.

One hundred eleven (111) files were examined. Fifty (50) files remained unresolved in excess of 60 calendar days from the date the loss was reported. A reasonable written explanation for the delay was to be provided the third party claimant as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3). In seven (7) files (14.00% of 50), the Company failed to provide the explanation to the third party. A General Trend Criticism was issued.

In six (6) files (5.41% of 111 examined) the Company failed to effectuate a prompt, fair and equitable settlement in violation of 215 ILCS 5/154.6(d). The insureds were clearly 100.00% at fault. The Company would lowball an estimate or the company would assess comparative negligence when their insured was clearly 100.00% at fault or the Company would fail to promptly investigate and/or be proactive in promptly settling a claim. The Company is also in violation of 215 ILCS 5/154.6(c) for failing to adopt and implement reasonable standards to promptly investigate and, therefore, promptly settle their claims with third parties.

In three (3) files (2.70% of 111 examined) the Company violated the policy contract creating three (3) underpayments totaling \$788.97. The underpayments were due to a miscalculation of reimbursable rental, incorrect offer for a total loss vehicle and failing to send a check to the body shop. All payments have been made.

In one (1) file (0.90% of 111 examined) the Company was criticized under 50 Ill. Adm. Code 919.40 as related to "reasonable promptness" under 215 ILCS 5/154.6(b). The Company failed to respond to a communication within 15 working days.

In one (1) file (0.90% of 111 examined) the Company was criticized under 50 Ill. Adm. Code 919.40 as related to "prompt investigation" in 215 ILCS 5/154.6(c). The Company failed to communicate with a claimant within 21 working days after notification of loss. The facts of the accident made it reasonably clear the insured was at fault.

In one (1) file (0.90% of 111 examined) the signed release from the subrogating company was received but payment not made until 38 days later. The Company was in violation of 50 Ill. Adm. Code 919.50(a) for failing to tender payment within 30 days.

4. Private Passenger Auto Third Party Closed Without Payment

Eighty-one (81) files were examined. In 19 files (23.46% of 81) the Company failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims which is a violation of 215 ILCS 5/154.6(c) and/or the Company failed to effectuate a prompt, fair and equitable settlement of these claims when **liability was reasonably clear** and as a result is in violation of 215 ILCS 5/154.6(d). The actions and inactions of the Company are unfair and/or deceptive acts or practices and a violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4) and/or 215 ILCS 5/429(1). In all 19 files the claim was simply left unresolved and closed without payment after a lengthy period of time. For a claim to be resolved payment or repairs must be made...or...a denial letter sent...or...the third party claimant indicates they are making no claim...or...the Company sends the third party correspondence indicating the file will be closed on a certain date if certain information or some response is not received. The dates of loss involved one (1) 2004 file, three (3) losses in 2005, two (2) losses in 2006, eight (8) losses in 2007, four (4) in 2009 and one (1) in 2010. Failing to promptly investigate and settle the claim resulted in five (5) lawsuits. The Company would lowball subrogation demands by wrongly assessing comparative negligence or using their low labor rates when the adverse carrier presented their rates. When this Company fails to accept responsibility/liability immediately and offer to repair the third party vehicle, it is not fair and equitable to lowball the subrogation demand from the third party carrier based upon this Company's lower labor rates. Failing to treat the third party carrier in a fair and equitable manner causes an adverse affect upon the Illinois policyholders of that carrier. Those policyholders must make up the difference by paying more in premiums. These actions and inactions also could cause an adverse effect on these third parties receiving their deductible back from their carrier. That carrier is required to return only the *pro-rata* share of the deductible to their insureds. A General Trend Criticism was issued.

Eighty-one (81) files were examined. The claim remained unresolved in excess of 60 days in 40 files. In six (6) of those 40 files (15.00%) the Company was cited for failing to send the third party a reasonable written explanation as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3). A written explanation was not sent in five (5) files and sent late in one (1) file. A General Trend Criticism was issued.

5. Private Passenger Auto First Party Total Losses

Company practice is to pay taxes and/or fees upon proof of a replacement vehicle. In 14 files proof of a replacement vehicle was provided. In 10 of those 14 files (71.43%) the Company failed to pay taxes/fees as required by and as outlined in 50 Ill. Adm. Code 919.80(c)(3)(A)(i) creating two (2) underpayments totaling \$156.25 and nine (9) overpayments totaling \$712.72. (One (1) file involved underpayments and overpayments). Reimbursements have been made. A Class Criticism was issued.

Fifty-five (55) files remained unresolved in excess of 40 calendar days from the date the loss was reported. A reasonable written explanation for the delay was to be provided the insured as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2). In 15 files (27.27% of 55) the Company failed to provide an explanation to the insured (9 files) or failed to provide a reasonable explanation that truly explained why the insured or lien holder had not yet been paid (6 files). A General Trend Criticism was issued.

The Company uses Autosource to determine the market value of the insured total loss vehicle. The Company failed to follow and use the methodology of Autosource in 10 of 65 files examined (15.35%) creating underpayments totaling \$8,309.00. The Company has made eight (8) reimbursements to the insureds in the amount of \$8,129.00. In the other two (2) files when the Company reopened the file and obtained more information, it was determined that the Company had made overpayments as well. Violation of 50 Ill. Adm. Code 919.80(c)(2) created a General Trend Criticism.

In four (4) of 65 files examined (6.15%), the Company was in violation of 50 Ill. Adm. Code 919.80(c). The Company failed to provide the insured with the informational letter commonly known as the right of recourse letter and/or Exhibit A in one (1) file and in three (3) files the letter was not sent within seven (7) days of the vehicle being determined a total loss. Exhibit A was sent late.

In two (2) files (3.08% of 65 examined), the Company reduced the total loss settlement to or on behalf of the insured by taking advance charge deductions with no evidence that the insured caused any excessive charges. This action is a violation of 50 Ill. Adm. Code 919.80(d)(3) and created underpayments totaling \$265.00. The Company has made reimbursements.

6. Private Passenger Auto First Party Subrogation

In 10 files (14.29% of 70 examined) the Company failed to return the deductible or the correct *pro-rata* share of the deductible as required by 215 ILCS 5/143b and created underpayments totaling \$3,133.97. The Company has made reimbursements. A General Trend Criticism was issued.

7. Commercial Auto First Party Paid

It was discovered while examining files in this survey that when there is no lien holder on the insured vehicle, the Company requires the name of the body shop prior to making payment and then issues a two party check. This practice is confirmed by correspondence sent to the insured as well as delay letters and in reviewing the Company response to Interrogatory #5. Requiring the name of a body shop is not necessary and is misleading. A check can be made payable to and mailed to the insured. These actions by the Company are unfair, deceptive and in conflict with 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4) and/or 215 ILCS 5/429(1). In failing to effectuate prompt settlements and failing to adopt reasonable standards for the settlement of their claims, the Company is also in violation of and/or in conflict with 215 ILCS 5/154.6(c) and/or 215 ILCS 5/154.6(d) and/or 215 ILCS 5/154(r). A Class Criticism applies.

8. Commercial Auto First Party Closed Without Payment

There was one (1) denial in this survey and a denial letter sent to the insured. The Company was in violation of 50 Ill. Adm. Code 919.50(a)(1) in this file (100.00%) because the denial letter was not a reasonable explanation. It was incorrect, false and misleading. The insured paid \$3,600.00 to have the insured vehicle repaired. The file was reopened and the Company made a \$3,600.00 payment to this insured. A Class Criticism applies.

9. Commercial Auto Third Party Paid

The Company sends letters to third party claimants as well as first party claimants that have incurred injuries. That letter instructs those injured to send in medical bills and reads: "When you have fully completed treating, collect your medical bills. Please send itemized bills only.". That statement in itself is inconsistent with any prompt payment and is in conflict with 215 ILCS 5/154.6(c) and 215 ILCS 5/154.6(d). When an insured or third party claimant receives a medical bill they should be allowed to submit those bills for reimbursement to insure a prompt payment. The letter is in violation of 215 ILCS 5/154.6(a) because the letter knowingly misrepresents relevant facts because it also reads "Please

be advised the statute of limitations expires(a date given.)...". The date the Company provides here is two (2) years from the date of the accident. That is an untrue, misleading and false statement. There is a two (2) year statute of limitations on when a **suit** can be filed. The injured party has two (2) years from the accrual of his cause of action to file suit. The medical/injury claim can remain open and payments made **after** two (2) years and an injured party may have remedies under Section 154.6 for delays and slow handling. The letter is a contradiction when it instructs the injured to send in bills after all treatments have been completed (which could take longer than two (2) years) and then inform them that there is a two (2) year statute of limitations. The examiner has viewed files in which the Company does nothing and makes no payments when the aforesaid two (2) years has elapsed and has sent denial letters which read the statute of limitations has expired. The actions and inactions of this Company are unfair, deceptive acts and practices in conflict with 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4) and/or 215 ILCS 5/429(1). A Class Criticism applies. (This was first discovered while examining the files for this survey but apply to all of other claim surveys.)

Seventy-six (76) commercial auto claims were examined in this survey. In 33 of those files suit was brought against this Company by claimants or claimant carriers. Thirty-seven (37) of the claims went into subrogation. In 30 of these 37 claims (81.08%) the third party carrier brought suit when subrogating against this Company and in another two (2) files, although the third party carrier did not bring suit, the carrier did utilize counsel. The Company was in violation of 215 ILCS 5/154.6(g) for engaging in activity which results in a disproportionate number of lawsuits to be filed against the insurer or its insureds by claimants. A Class Criticism was issued.

In dealing with third party claimants and/or third party carriers this Company's actions and inactions constitute improper claims practices as addressed in 215 ILCS 5/154.6. This Company sometimes fails to respond promptly and many times simply diaries the file when dealing with other carriers...waiting for a lawsuit...then they will respond. They do not have reasonable standards to do a prompt investigation and subsequently to promptly settle the claim (215 ILCS 5/154.6(c)). This Company fails to be proactive in contacting all parties involved in a claim and in good faith to resolve a claim promptly, fairly and equitably (215 ILCS 5/154.6(d)). The median in this survey was 112 days.

10. Commercial Auto Third Party Closed Without Payment

Forty-seven (47) files were examined and 13 (27.66%) were criticized because the Company's actions and inactions were unfair and/or deceptive and in conflict with 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4) and/or 215 ILCS 5/429(1). The Company failed to effectuate prompt settlements and failed to adopt reasonable standards for prompt investigations and prompt settlements and is, therefore, also in violation of 215 ILCS 5/154.6(c) and/or 215 ILCS 5/154.6(d) and/or 215 ILCS 5/154.6(r). The findings in this survey mirror the findings discovered in the "Paid" survey above.

A General Trend Criticism was issued.

11. Commercial Auto Total Losses

There were no criticisms.

12. Commercial Auto Subrogation

There were no criticisms.

D. Complaints

1. Department Complaints

The Company fails to maintain Department of Insurance Complaints as outlined in 50 Ill. Adm. Code 926.50 Exhibit A and as described in Exhibit B. A Class Criticism was issued.

In six (6) of 48 complaints (12.50%) the Company was criticized under 215 ILCS 5/154.6(c) for failing to effectuate a prompt, fair and equitable settlement. The Company has made four (4) payments totaling \$4,788.05. A General Trend Criticism was issued.

2. Consumer Complaints

The examiner requested the list and/or log of Consumer Complaints, those received directly from the policyholder or consumer. The Company indicated they had none and none were examined. The Company fails to maintain Consumer Complaints as required by 50 Ill. Adm. Code 926.50 and 215 ILCS 5/143d. A Class Criticism was issued.

V. INTERRELATED and ADDITIONAL FINDINGS

1. When delay letters were due or sent private passenger auto insureds or third party claimants, the Company failed to provide the reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2) and 50 Ill. Adm. Code 919.80(b)(3) in 37 out of 277 times (13.36%). General Trend Criticisms were issued in the Private Passenger Auto First Party Median & Paid Survey, Private Passenger Auto Third Party Median and Paid Survey, Private Passenger Auto Third Party Closed Without Payment Survey and the Private Passenger Auto Total Loss Survey.

<u>Survey</u>	<u># of times delay letter was due</u>	<u># of times not sent or sent incorrectly</u>
First Party Auto Median & Paid	34	6
First Party Auto C.W.P.	98	3
Third Party Auto Median & Paid	50	7
Third Party Auto C.W.P	40	6
Total Losses	<u>55</u>	<u>15</u>
	277	37

2. When it is reasonably clear that the liability rests with the insured, the Company fails to handle the claim correctly in many and most situations when dealing with a third party or third party carrier. There is evidence of this practice in private passenger auto claims and commercial claims. The Company delays the investigation and handling of the claim, refuses to accept liability within a reasonable time especially when the insured is 100% negligent and sometimes never accepts liability, “lowballs” estimates, forces third party claimants to file with their own carrier, forces third party claimants to file suit, forces the third party carrier to file suit or arbitration, fails to answer pertinent communication in a timely manner or simply fails to respond to pertinent communication. Sometimes the file is just *ignored*. The Company fails to act proactively to promptly pay and/or resolve the claim. Sometimes when their insured is at fault and the Company fails to accept liability, they offer less than the subrogated amount demanded indicating to the third party carrier that they could repair the vehicle for less or assessing comparative negligence without a prompt and fair investigation. There would be some instances in which a lower labor rate would be a viable reason if they would have promptly accepted liability and told the third party to go to one (1) of their shops for repairs. Then if that third party went to their own carrier instead, this Company could use their lower labor rates in paying a third party carrier during the subrogation process. Their low and many times unfair payment offers and payments to a third party carrier causes an adverse effective on the Illinois policyholders of that carrier. These Illinois policyholders are residents and consumers in this state. By “lowballing”

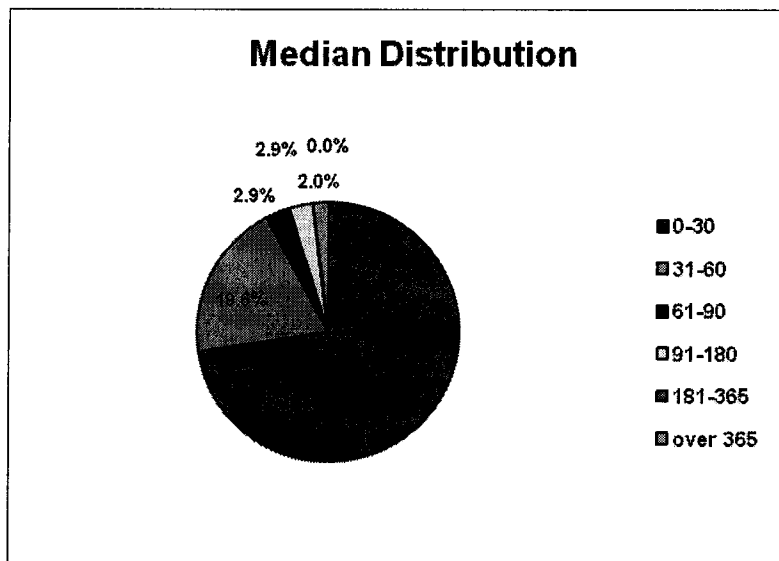
payments to the third party carrier, the policyholders of that carrier must make up the difference in increased premiums. Also, the third party carrier is only required to return the *pro-rata* share of their insureds deductible...again creating an adverse effect on their policyholders and causing increased premiums. The third party carrier sometimes after waiting long periods of time for a fair settlement simply agrees to a lesser amount simply to get the file closed. Many of those files may have been in suit.

The actions and inactions committed by the Company are unfair and/or deceptive acts and/or practices in violation of 215 ILCS 5/423(1) and/or 215 ILCS 5/424(4) and/or 215 ILCS 5.429(1). The Company fails in good faith to effectuate prompt, fair and equitable settlement of claims submitted and is violation of 215 ILCS 5/154.6(d) and, therefore, has failed to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies which is mandated by 215 ILCS 5/154.6(c). A Class Criticism applies for their handling of claims.

3. In the claim file, review process storage letters sent to first party claimants were also reviewed. An example of some of the verbiage in those letters is, "Should your vehicle be incurring storage charges, you must take immediate action to move the vehicle to a storage free facility. Your delay may cause some or all storage charges to become your responsibility." When there is no liability decision to be made regarding a claim because it is the Company's insured, towing and storage for the insured is part of a physical damage claim. It is the responsibility of the Company to make arrangements for storage...or...tell the insured to release the vehicle and the Company will tow the insured vehicle to a storage free facility. If the insured refuses to release the vehicle to the Company then the Company has an issue regarding storage but there is no evidence that the Company has a practice of doing that. This letter and the Company's actions are unfair and in conflict with 215 ILCS 5/423(1) and/or 5/424(4) and/or 5/429(1).

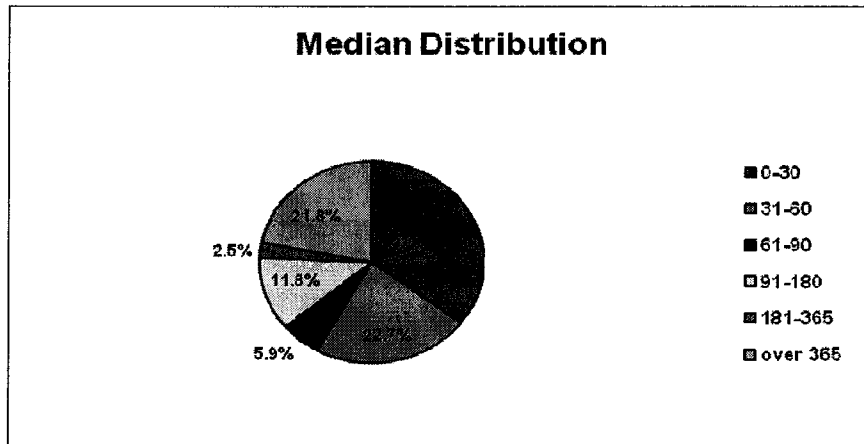
VI. TECHNICAL APPENDICES

A. Private Passenger Auto First Party Median - 17 days



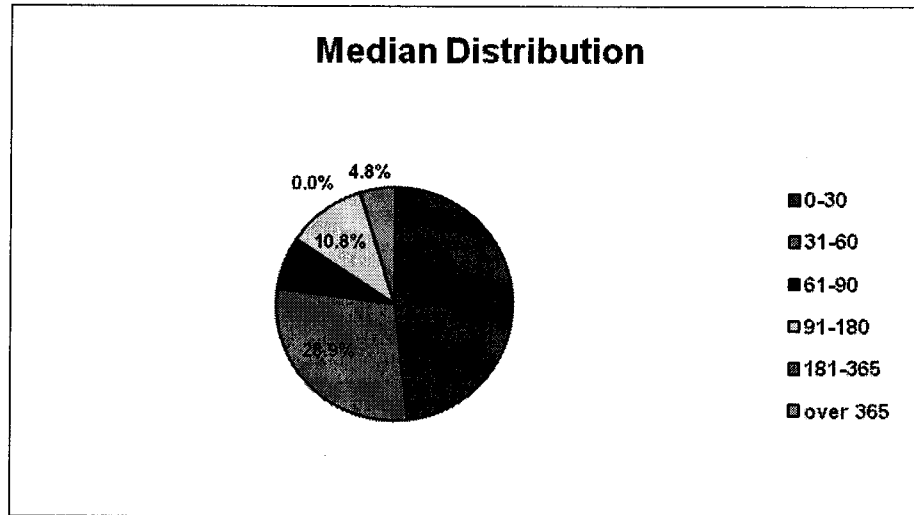
MEDIAN DISTRIBUTION		
# Days	Number	Percent
0-30	74	72.55%
31-60	20	19.61%
61-90	3	2.94%
91-180	3	2.94%
181-365	0	0.00%
over 365	2	1.96%
Total	102	100.00%

B. Private Passenger Auto Third Party Paid Median (With subrogation, arbitration and litigation files included) - 43 days



MEDIAN DISTRIBUTION		
# Days	Number	Percent
0-30	42	35.29%
31-60	27	22.69%
61-90	7	5.88%
91-180	14	11.76%
181-365	3	2.52%
over 365	26	21.85%
Total	119	100.00%

C. Private Passenger Auto Third Party Paid Median (Without subrogation, arbitration and litigation files) - 33 days



MEDIAN DISTRIBUTION		
# Days	Number	Percent
0-30	40	48.19%
31-60	24	28.92%
61-90	6	7.23%
91-180	9	10.84%
181-365	0	0.00%
over 365	4	4.82%
Total	83	100.00%

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Roger Henschen, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of the following insurance companies:

Safeway Insurance Company-NAIC # 12521

That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

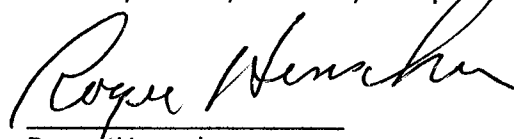
That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or

ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the company.



Roger Henschen
Examiner-In-Charge

Subscribed and sworn to before me
this 18th day of December, 2012.



Notary Public

DIANN C. DAVIDSON
NOTARY PUBLIC
MY COMMISSION EXPIRES APR. 30, 2016



IN THE MATTER OF

Safeway Insurance Company
790 Pasquinelli Drive
Westmont, IL 60559

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (Director) of the Illinois Department of Insurance (Department) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Safeway Insurance Company (Company) is authorized under the insurance laws of this State and by the Director as a domestic stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 5/131.21, 132, 401, 402 and 425 of the Illinois Insurance code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by or in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company.

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into the Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. That the Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and implement procedures consistent with 215 ILCS 5/143.15 which requires that all notices of cancellation include a specific explanation of the reason or reasons for cancellation and requires at least 30 days notice.
2. Institute and implement procedures consistent with 215 ILCS 5/143.19 which provides that after a policy of automobile insurance as defined in Section 143.13(a) has been effective for 60 days, the insurer shall not exercise its option to cancel such policy except for one of the reasons set forth in 143.19.
3. Institute and implement procedures consistent with 215 ILCS 5/143.17 which applies to any policy of insurance, as defined in subsections (a), (b), (c), and (h) of Section 143.13, to which Section 143.11 applies, and which, in part, requires that no company shall fail to renew a policy unless it sends proper notice of intent not to renew. Section 143.17 also requires that all notices of intention not to renew shall include a specific explanation of the reasons for nonrenewal.
4. Institute and implement procedures consistent with 215 ILCS 5/143.16 regarding all notices of cancellation to which Section 143.11 applies, except for those defined in subsections (a), (b) and (c) of Section 143.13, which requires, in part, that at least 60 days notice of cancellation be provided after coverage has been effective for 61 days or more.
5. Institute and implement procedures consistent with 215 ILCS 5/143.16a which provides that no policy which has been in effect for 60 days and to which Section 143.11 applies, except for those defined in subsection (a) or (b) of Section 143.13, may be cancelled except for one of the reasons set forth in 143.16a.
6. Institute and implement procedures consistent with Title 50 Illinois Administrative Code 919.80(b)(2) which provides that if a first party physical damage automobile claim remains unresolved for more than 40 calendar days from the date it is reported, the insurer shall provide a reasonable explanation for the delay to the insured. Notice of Availability of the Department of Insurance shall accompany the written explanation.
7. Institute and implement procedures consistent with Title 50 Illinois Administrative Code 919.80(b)(3) which provides that if an automobile property damage liability claim remains unresolved in

excess of 60 calendar days from the date it is reported, the insurer shall provide a reasonable written explanation for the delay to the third party claimant. Notice of Availability of the Department of Insurance shall accompany the written explanation.

8. Institute and implement procedures consistent with Title 50 Illinois Administrative Code 919.80(c) (3) (A)(i) which provides that if a cash settlement is provided to the insured for a total loss vehicle and if within 30 days after the receipt of the settlement the insured has purchased or leased a vehicle, the company is required to reimburse the insured for the applicable sales taxes and transfer and title fees.

9. Institute and implement procedures consistent with Title 50 Illinois Administrative Code 919.80(c)(2) which provides that the Company shall use one of the described methodologies to determine the market value of the insured total loss vehicle

10. Institute and implement procedures consistent with 215 ILCS 5/143b which requires that a personal automobile insurer who has successfully recovered subrogation shall return, and return the correct, pro rata share of the deductible.

11. Institute and implement procedures whereby the name of the body shop shall not be a requirement prior to making a payment to an insured for damage to the insured vehicle when there is no lien holder and, therefore, be consistent with 215 ILCS 5/154.6(c) and Section 154.6(d) and/or Section 154.6(r) and/or 423(1) and/or 424(4) and/or 429(1).

12. Institute and implement procedures to insure that if a denial letter is sent the insured the denial letter must provide a reasonable explanation for the denial and that explanation must be true and not misleading so as to be consistent with Title 50 Illinois Administrative Code 919.50(a)(1).

13. Institute and implement procedures to cease sending correspondence to first and third party claimants who have experienced bodily injury and to which instructs the claimants to send in medical bills after they have completed treatment and the Company, subsequently, fails to make payments because they inform the claimants that the statute of limitations had past when the claims or bills were sent in beyond two (2) years. The statute of limitations has past for bringing suit but payments can still be made and the claimants may have remedies under 215 ILCS 5/154.6. The letter is a contradiction and delays payment(s) and the information regarding the statute of limitations is false and misleading. The Company has violated 215 ILCS 5/154.6(a) and Sections 154.6(c), 154.6(d), 423(1), 424(4) and/or 429(1).

14. Institute and implement procedures consistent with 50 Illinois Administrative Code 926.50 which provides that when the Department Complaints are maintained they are maintained as outlined in Exhibit A and as defined in Exhibit B.

15. Institute and implement procedures consistent with 50 Illinois Administrative Code 926.50 and 215 ILCS 5/143d(c) which require that consumer complaints be maintained and maintained as outlined in Exhibit A and as defined in Exhibit B.

16. Institute and implement procedures whereby the Company takes responsibility for making arrangements for the towing and storage of the insured vehicle that had experienced physical damage and

avoid sending letters to insureds instructing them to move the vehicle to a storage free facility when there is no information regarding locations. This practice will avoid the Company being in conflict with 215 ILCS 5/423(1) and/or Sections 424(4) and 429(1).

17. Reopen and resolve, in a prompt, fair and equitable manner, Item # 1, 12 and 73 from Criticism 36. Report the results of reopening those files to the Illinois Department of Insurance.

18. That the Company, for the purpose of resolving the instant proceeding, shall pay to the Director of Insurance an amount of \$40,000; \$15,000 shall be payable within thirty (30) days of the execution of this Order.

19. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above eighteen (18) Orders within 30 days of receipt of these Orders.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate action, including but not limited to levying additional fines and forfeitures, should the Company violate any provision of the Illinois Insurance Code, any regulation promulgated there under, or any provision of this Stipulation and Consent Order.

SAFEWAY INSURANCE COMPANY

DEPARTMENT OF INSURANCE
of the State of Illinois:

[Signature]
Signature

Andrew Boron
Andrew Boron
Director

Robert M. Gordon
Name

Chief Executive Officer
Title

Date: 6-27-13

Date: July 1, 2013

Subscribed and sworn to before me this

27th day of June A. D. 2013.

Allison K Hart
Notary Public



«LINE2»



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

July 2, 2013

Ms. Margaret Bareck
Associate Corporate Counsel
Safeway Insurance Company
790 Pasquinelli Drive
Westmont, IL 60559-1254

*sent via USPS certified mail
return receipt requested*

RE: Safeway Insurance Company

Market Conduct Examination

Dear Ms. Bareck:

This is in response to your letter on March 11, 2013 in the above referenced matter. Safeway Insurance Company has provided proof of compliance with Orders # 1 through Order # 19 in the Stipulation and Consent Order. These proofs of compliance have been reviewed and are satisfactory.

Accordingly, the Department is closing its file on this examination. A copy of the fully executed Stipulation and Consent is enclosed for your records. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Please contact me if you have any questions. I may be reached at 312-814-2420.

Yours Truly,

Louis Butler
Deputy General Counsel